Facilitating Employee Engagement Through Pay for Performance

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Pay for Performance is a better way to pay

- Meets the merit principle of equal pay for work of equal value and reward excellence.
- May be fairer than the GS because it recognizes contributions, not tenure.
- Helps recruitment and retention of HiPos.
- Shows little evidence of moving organizational performance by itself.
Impact of Pay on Employees

- Top pay increases → Retention of “superstars”
- Average pay increases → Impact on “B” employees
- No pay increases → Turnover of underperformers
Reasons to leave Government

- Desire for different work: 7
- Lack of recognition: 8
- Increase opportunities for advancement: 18
- Desire to earn more money: 20
- Better use of skills and abilities: 22

Source: MSPB, Merit Principles Survey 2000
Reasons to stay in Government

- Federal benefit programs: 91%
- Job security: 86%
- Current job duties/responsibilities: 82%
- Your pay compared to outside Gov't: 77%
- Current working schedule: 76%

Source: MSPB, Merit Principles Survey 2000
What motivates employees?

Percent including factor among their top three

- **Personal pride or satisfaction in my work**: 80%
- **Desire to make a contribution**: 54%
- **Monetary award**: 27%
- **Public duty**: 23%
- **Desire to help work unit meet goals**: 21%

Source: MSPB, Merit Principles Survey 2000
Performance

- Employee performance
- Organizational performance
- Whole is greater than the sum of the parts
Corporate Leadership Council research

• Pay for performance helps recruitment and retention of high performers

• Pay for performance does not necessarily improve organizational performance

• Employee engagement is the key to improving organizational performance

Source: CLC 2004 Employee Engagement Survey
Employee Engagement

The extent to which employees commit to something or someone in their organization and how hard they work and how long they stay as a result of that commitment.
## Components of Engagement

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<th>Rational Commitment:</th>
<th>Emotional commitment:</th>
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<td>Are the employee’s financial, developmental or professional needs being met?</td>
<td>Does the employee value, enjoy and believe in their job, manager, team, or organization?</td>
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Impact on Outcomes

Engagement

- Rational                          Attraction/Retention
- Emotional                        Discretionary Effort
Relationship between Pay for Performance and Employee Engagement

- Allow pay setting flexibility to attract and retain high performers.
- Emphasize new supervisory behaviors facilitating emotional commitment.
- Supervisory behaviors affect employee engagement.
Supervisory Behaviors Maximizing Discretionary Effort

• Clearly articulates organizational goals
• Sets realistic performance expectations
• Adapts to changing circumstances
• Helps find solutions to problems
• Demonstrates honesty and integrity
• Possesses job skills
• People in the right roles at the right time
• Commitment to diversity
“To what extent do you think your supervisor will exercise the following authorities in a fair and effective manner?”

- Setting individual employees' pay within broad pay bands: 36
- Taking adverse actions such as suspensions and removals: 37
- Selecting people for vacancies or promotions based on their qualifications: 59

Source: MSPB, Merit Principles Survey 1996
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For more information on MSPB studies

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